

Message Text

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SUBJ: SPANISH CY 74 FERROUS SCRAP REQUIREMENTS

REF (A) STATE 203039; (B) MADRID 5559; (C) STATE 183681

1. AFTER REPEATED FOLLOW-UP REQUESTS OF UNESID, EMBASSY HAS OBTAINED FOLLOWING ADDITIONAL INFORMATION REQUESTED REF (C):

A.- ESTIMATED CY74 FERROUS SCRAP IMPORT REQUIREMENTS:

TOTAL 625,000 METRIC TONS PER QUARTER; FROM US-450,000 METRIC TONS.

B. - RE PROBABLE BUYING PATTERN AS DIFFERENTIATED FROM ACTUAL TIMING OF IMPORTS, UNESID SAID NORMAL LEADTIME BETWEEN SPANISH ORDERS PLACED AND ACTUAL DELIVERY IS 4 TO 6 MONTHS.

2. FOREGOING INFORMATION SUPPLEMENTING REF (B) OBTAINED ONLY FOLLOWING A MEETING BY EMBOFF WITH UNESID OFFICIALS, EMILIO MIRANDA DIAZ, DIRECTOR GENERAL, AND LUIS GUERECA TOSANTOS, SECRETARY GENERAL, OF UNESID. MIRANDA SAID HE REQUESTED MEETING TO INFORM EMBASSY ABOUT SPAIN'S OVERRIDING NEED FOR US SCRAP BASED ON FOLLOWING CONSIDERATIONS:

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A.- UK WHICH HAS BEEN EXPORTING ABOUT 700,000 TONS

OF SCRAP TO SPAIN NOW PRECLUDED FROM DOING SO BE EEC POLICY PROHIBITING SCRAP EXPORTS TO THIRD COUNTRIES. ONLY US COULD MAKE UP FOR THIS VOLUME; THUS SPAIN'S NEED FOR 1.8 MILLION TONS OF US SCRAP FOR CY74 COMPARED WITH APPROXIMATE 1.1 MILLION TONS IN CY73. ITALY AND FRANCE, HE SAID, WOULD NOW ENJOY PRIVILEGED ACCESS TO UK SCRAP.

B.- SPAIN UTILIZES SCRAP IMPORTS FOR DOMESTIC CONSUMPTION AND NOT RE-EXPORT OF STEEL PRODUCTS WHICH, MIRANDA ASSERTED, WAS IN STRIKING CONTRAST TO JAPAN.

C.- IF SPAIN UNABLE OBTAIN SUFFICIENT SCRAP IMPORTS, SPANISH STEEL INDUSTRY WILL FACE REDUCED PRODUCTION WITH ATTENDANT UNEMPLOYMENT AND OTHER SOCIAL PROBLEMS. MIRANDA SAID SPAIN WOULD THEN BE FORCED TO PURCHASE FINAL STEEL PRODUCTS FROM OTHER EUROPEAN COUNTRIES AND NOT FROM US DUE PRICE DIFFERENTIAL. THIS WOULD DISPLACE SPANISH SCRAP PURCHASES FROM US.

3. MIRANDA STATED THAT SPANISH STEEL PRODUCTION, WHICH ROSE FROM ABOUT 4.5 MILLION TONS IN 1964 TO ABOUT 11 MILLION TONS THIS YEAR, IS PROJECTED TO BE ABOUT 18 MILLION TONS BY 1980. THIS INCREASE, HOWEVER, WILL BE PRIMARILY DUE TO ESTIMATED 6 MILLION TON PRODUCTION OF NEW INTEGRATED STEEL MILL BEING CONTRUCTED IN VALENCIA AREA. TOTAL SPANISH SCRAP IMPORT REQUIREMENT FROM ALL SOURCES EXPECTED REMAIN AT ABOUT 2.5 MILLION TON LEVEL AS NEW MILL USE IRON ORE IMPORTS AND NOT SCRAP.

4. MIRANDA CONCLUDED BY REITERATING DEEP CONCERN BY UNESID MEMBER FIRMS (220 OF WHICH ABOUT 60 ARE STEEL PRODUCERS) OVER US EXPORT LICENSING POLICY RE FERROUS SCRAP, ESPECIALLY AS REGARDS 1974. HE MENTIONED VERY FAVORABLE TRADE BALANCE US ENJOYS WITH SPAIN AND SAID UNESID HOPES USG WILL ACCORD EVERY CONSIDERATION TO SPAIN'S SCRAP NEEDS.
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